

Message Text

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ACTION EUR-12

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E.O. 11652: NA

TAGS: EIND ETRD EEC

SUBJECT: EC STEEL POLICY--MINIMUM PRICES

REF: EC BRUSSELS 532

1. ON JAN. 19 THE CONSULTATIVE COMMITTEE OF THE EUROPEAN
COAL AND STEEL COMMUNITY (ECSC) ADOPTED A RESOLUTION FAVORING
THE INTRODUCTION OF MINIMUM STEEL PRICES UNDER ART. 61(B)
OF THE PARIS TREATY. THE VOTE WAS 31 FOR, 22 AGAINST WITH
9 ABSTENTIONS. THE ENTIRE FRENCH DELEGATION (STEEL
PRODUCERS, USERS, UNION REPRESENTATIVES) VOTED FOR THE
APPLICATION OF ART. 61 WHILE THE GERMAN DELEGATION WAS
SOLIDLY AGAINST IT. THE BRITISH, WE UNDERSTAND, ABSTAINED.
THERE WAS UNANIMITY ON A PART OF THE RESOLUTION STATING THAT
THE PROPOSAL FOR MINIMUM PRICES WAS LATE IN COMING AND BEING
MADE AT A TIME WHEN PRICES WERE BEGINNING TO PICK UP. THERE
WAS ALSO AGREEMENT THAT APPLICATION OF THE PROPOSAL
RAISED A SERIES OF PRACTICAL PROBLEMS, E.G. LACK OF
FLEXIBILITY, DIFFICULTY OF ENFORCEMENT, ETC. ACCORDING
TO THE PRESS THE GERMANS CLAIMED (A) THE PARAMETERS THE
COMMISSION PROPOSED TO USE TO SET PRICE LEVELS WOULD
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RESULT IN VIOLATIONS OF THE PARIS TREATY BECAUSE THEY

DID NOT COVER ALL AMORTIZATION AND INTERESTS ON CAPITAL REQUIRED UNDER THE TREATY, (B) THE MINIMUM PRICES WOULD BE TAKEN BY PRODUCERS AS MAXIMUM RICES EVEN IF THE MARKET IMPROVED, (C) MINIMUM PRICES COULD NOT BE DEFENDED WITOHUT MEASURES TO PROTECT AGAINST IMPORTS ELLING AT LOWER PRICES THAN EC STEEL.

2. WE ASKED EC STEEL DIRECTOR PETRICK IF THE COMMISSION COULD AKE MEASURES AS SIGNIFICANT AND COMPLICATED AS FIXING MINIMUM PRICES AFTER THE SPLIT IN THE VOTING IN THE CONSULTATIVE COMMITTEE. PETRICK MINIMIZED THE CLOSENESS OF THE VOTE BY NOTING THAT THE BRITISH ABSTAINED BECAUSE THEY WERE WAITING TO SEE WHERE PRICES WOULD BE SET. HE SIAD THAT IF THEY FOUND PRICES SATISFACTORY (SUFFICIENTLY HIGH, WE PRESUME) THE BRITISH WOULD AGREE TO THE COMMISSION FIXING MINIMUM PRICES.

3. COMMENT: DESPITE PETRICK'S APPARAENT CONVICTION THAT MINIMUM PRICES ARE NECESARY , THE SPLIT IN THE CONSULTATIVE COMMITTEE WHICH IS LIKELY TO BE REFLECTED IN THE EC COUNCIL CONSULTATIONS IN FEB. (SEE REFTEL) WILL CERTAINLY MAKE A COMMISSION DECISION TO APPLY ART. 61 VERY HARD INDEED. CONSTITUTIONAL AND TECHNICAL OBJECTIONS BY THE GERMANS AND A REQUEST BY THE CONSULTATIVE COMMITTEE TO BE CONSULTED ON THE MODALITIES OF FIXING PRICES AS WELL AS PRICE LEVELS (SEE REFTEL), COULD PUSH OFF THE FINAL DECISON TO MARCH AND ALLOW MORE TIME FOR A STRONGER UPTURN IN PRICES.

GREENWALD

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